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The motion was put and carried and the Bill was taken into consideration.

Clauses 2 and 3 were put and carried.

Clause 1 and the Preamble were put and carried.

THE HON. SRI M. BHAKTAVATSALAM : Mr. Chairman, Sir. I move—

'That the Evacuee Interest (Separation) Madras Supplementary Bill, 1961 (L.A. Bill No. 7 of 1961), as passed by the Legislative Assembly, be passed'.

MR. CHAIRMAN : The question is—

'That the Evacuee Interest (Separation) Madras Supplementary Bill, 1961 (L.A. Bill No. 7 of 1961), as passed by the Legislative Assembly, be passed'.

The motion was put and carried and the Bill was passed.

(3) THE MADRAS STATE AID TO INDUSTRIES (AMENDMENT) BILL, 1961 (L.A. BILL NO. 26 OF 1960).

THE HON. SRI R. VENKATARAMAN : Mr. Chairman, Sir. I move—

'That the Madras State Aid to Industries (Amendment) Bill, 1961 (L.A. Bill No. 26 of 1960), as passed by the Legislative Assembly, be taken into consideration.

Sir, I shall briefly deal with the three amendments which this Bill seeks to introduce to the State Aid to Industries Act of 1922. It is considered that the procedure for the examination and disposal of applications for loan should be simplified further. Section 8 (3) of the Act specified that every application for aid shall be placed before the Board of Industries for advice. But, under section 17-A (1), the Director of Industries and Commerce is empowered to sanction loans up to Rs. 25,000 and under section 17-B (1) the officers subordinate to him can grant loans up to Rs. 10,000. The intention is that only applications for loans exceeding Rs. 25,000 should go before the Board of Industries for advice. The rest would be disposed of according to the rules prescribed. Otherwise, the simplification of the procedure which we need, will not be achieved. The amendment to sub-section (3) of section 8 makes the intention clear.

Although, under the rules framed under the Act, provision has been made for the grant of loans on personal securities and on the security of one or more sureties, a doubt has been raised that the grant of loans on such terms is beyond the scope of existing sections 9 and 10 of the Act. New sub-section (1-A) of section 10 provides legal basis for the grant of loans on personal security of the applicants.

New section 10-A makes the transfer of properties including leases of properties mortgaged to the Government void in law unless such transfer is made with the written permission of the sanctioning authorities. Similarly, new section 10 (*b*) makes void the

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attachment, sale, etc., of the properties hypothecated to Government by any Court, without the written permission of the sanctioning authority. There is no provision in the Act, making sale, lease or transfer of the properties mortgaged to Government void in certain cases. Normally, the Government need not concern themselves with the sale or transfer of any industry which has availed itself of State aid, provided the purchaser or transferee thereof undertakes to abide by all the conditions of the mortgage, etc. But the question arises whether any action can be taken against the purchaser by foreclosing the loan and recovering it in full, if he stops the industry and keeps the machinery idle, but however pays the instalments regularly. The Government have been advised that a provision restraining the alienation by sale or mortgage of property furnished as security for repayment of the loan under the State Aid will be invalid as clog on redemption. In the circumstances, the Government consider that a provision analogous to sections 3 and 7-A of the Madras Aided Institutions (Prohibition of Transfer of Property) Act, 1948 (Madras Act XIV of 1948) may be made in Madras Act V of 1923 by suitably amending the Act, to cover all kinds of transfers including leases without the permission of the Government and consequences of a breach and that the amended provision may be made applicable to all, existing and future, mortgages securing State Aid under the Act. Such a provision is necessary in order to safeguard the interests of Government.

Lastly, I come to new sections 17-C and 17-D which relate to the revisional or appellate powers. What is provided under new section 17-C is that any person aggrieved by a decision of the sanctioning authority either granting or refusing to grant aid under the Act may appeal to a higher authority, e.g., if the decision is that of an Assistant Director of Industries and Commerce to the Joint Director of Industries and Commerce and if the appeal is against the decision of the Joint Director of Industries and Commerce to the Director. In both cases, the Government will also have revisional jurisdiction. In respect of decisions of the Director, the appeal will be preferred to Government.

Sir, these amendments are of a minor character but the most important thing in these amendments is that the Government are enabled to advance loans to enable the rapid industrialisation of the State.

MR. CHAIRMAN : Motion moved—

'That the Madras State Aid to Industries (Amendment) Bill, 1961 (L.A. Bill No. 26 of 1960), as passed by the Legislative Assembly, be taken into consideration.'

SRI K. BALASUBRAMANYA AYYAR : Mr. Chairman, Sir, there are one or two points to be considered with regard to this Bill. The most important thing is that loans are to be given on personal security. That is the important provision in the Bill. The Government ever since the 1922 Act was passed have been changing the provisions of the Act and liberalising the rules. Revised

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rules were framed in the year 1958. In this connection I would like to draw the attention of the House to the Administration Report of the Department of Industries and Commerce for the year ended 31st March 1958 and especially to the paragraph at page 77 regarding ' Short notes on the Madras State Aid to Industries Act '. The report says :

' With a view to give aid to small scale and cottage industries in the State in a liberal measure and in a more expeditious and effective manner, the Madras State Aid to Industries Act was amended and the rules completely revised. The revised rules (Madras Small Scale and Cottage Industries Loans and Subsidy Rules, 1956) came into force only from 29th September 1956. Some of the salient features of the liberalized rules are that the amount of loan that can be granted to industrial concerns has been raised from 50 to 75 per cent of the value of assets offered as security, and that in the case of cottage industries loans up to 100 per cent of the total value of the security offered can be granted. Provision has also been made empowering the various officers of the departments, viz., Director of Industries and Commerce, Joint Director of Industries and Commerce, Assistant Directors of Industries and Commerce and Village Industries Officers to grant loans up to the limit prescribed for each. Loans can also be granted up to Rs. 10,000 on personal security and up to Rs. 5,000 on one or more personal sureties. The rate of interest is 3 per cent per annum up to Rs. 50,000 in the case of industrial units and 2½ per cent per annum in the case of industrial co-operatives. The interest for loans above Rs. 50,000 shall be fixed by Government and it is not 5 per cent per annum. Subsidy can also be granted to the deserving cases under the revised rules.

The liberalization of the provisions of the State Aid to Industries Act as mentioned above, has resulted in the receipt of a large number of applications, from all kinds of industries. The Government therefore, considered it was necessary to have a reasonably well-defined policy, in regard to the disposal of these applications, which could be understood and appreciated by the loan granting officers and public . . .'

It goes on like that. If even the existing rules are liberalized, the number of applications to be received will be doubled or quadrupled. I am sure if you make liberal provisions for the grant of loans, naturally you will be flooded with a large number of applications. I am not against liberalization of rules. The question is whether we should extend the personal security without even the considered advice of the Industries Board. The Board of Industries has been constituted to advise the Government. The provision in the Act itself contemplates that every application shall be placed before the Board for its advice. Experts and responsible people are there on the Board. There are also the representatives of the banks. That is a very good Board. But now it is stated that applications above Rs. 25,000 only will be placed before the Board. 4-10 p.m.

There are two or three salient checks. First is the advice of the Board of Industries. Then the security either of the machinery or of the land. But when we liberalise the rules and give loans to industries, we must enable them to work efficiently. If we give loans to people who may squander them, and we are not able to recover anything, then it will be a blow to the industry itself. In order to see that the industry works efficiently, it is better to have security for the loans. In 1958, the administration report itself stated that loans up to Rs. 5,000 and Rs. 10,000 could be granted on personol security. In the Bill it is stated that applications for a loan above Rs. 25,000 will be placed before the Board of Industries for advice. In cases of less than Rs. 25,000, they are not placed before it for advice. Only personal security of the business concerned is looked into. I feel that there should be safeguards so that the industrialist who borrows may be careful. He should be made to have the feeling that he should repay. Otherwise the industry itself will suffer. From this point of view I am stating that we are not against liberalising the rules. The Board of Industries should assess the industry before loans are given. In the case of loans of over Rs. 50,000, a notice must be published inviting objections to the grant of loan. All these safeguards were there for the purpose of enabling this Government to know the exact position of the parties who apply for these loans. That is why they constitute district committees for the purpose of assisting the licencing authority to grant these loans. When we make a provision stating that the application to the Board of Industries need not be placed before it if the amount of the loan is up to Rs. 25000—it may be on personal security also—then, we will find that a large number of applications will be coming in. Many of them may not even be benefited. Unfortunately, the Collector also may be misled. We do not know whether these safeguards will be considered by the district committee. When the Board of Industries cannot do it, the district committee cannot also do it. The Board of Industries cannot do anything in respect of loans up to Rs. 25,000 on personal security. This will really give a *carte blanche* to all industrialists. Up till now we have not done it statutorily. That is the fundamental and most important point. All other things are minor. At least if these applications will be placed before the Board of Industries, it is all right, even if they be on personal security. But it is stated that loans up to Rs. 25,000 will not be placed before the Board of Industries. We are really providing for no checks. The people are all connected with many bodies to which loans may be given. The loans are given not upon merits. There is the human limitation about which I am complaining. Therefore what I am stating is that we must have safeguards and checks. One important safeguard was that every application shall be placed before the Board of Industries. We constitute district committees. These too practically will have no operative part so far as applications up to Rs. 25,000 are concerned. Personal security means the personal credit of the man. He may have much property also. He may have no property also. That is the difficulty. We have to judge

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it purely from a subjective standard. People may be misled. That is why checks were placed before. It is true that we should help industries. We should go even to the extent of subsidising, as the Hon. Minister has put it in the case of 'Bleeding Madras'. Up till now we had not a statutory provision like the one that is now contemplated. Loans may be given on personal security. These applications may be placed before the Board of Industries. Let not Government say that applications up to Rs. 25,000 need not come before the Board. Let them be placed before it for its advice. It is an expert body and it will surely help in the proper disposal of the applications.

SRI S. NATARAJAN : Sir, I entirely agree with the hon. Member Sri Balasubramanya Ayyar when he says that while we should welcome any attempt at liberalising this State Aid to Industries Act, we must also ensure that public money is not lost. Under the original Act all applications should first be placed before the State Board and their advice sought. It is not stated that the Government should act according to the advice given, but at least the fact of their having given advice would be there, and the State Board will know who are the persons, how much is the money involved, etc. (Interruption by Sri K. Balasubramanya Ayyar.) I do not know if there have been occasions where the State Board have rejected unanimosuly a real case. (THE HON. SRI R. VENKATARAMAN : A large number. If they do it on grounds which could not be questioned, if they do it on grounds of merit after taking the actual needs of the industry and everything into consideration, we should not complain about it. But if they do it for other reasons unconcerned with the development of industry, then it is a matter of which we should take serious notice. Sir, under this amending Bill the officer is empowered to give loans himself without even having the advice of the Board. It is true that Government may take action against the officer. It is also true that the officer may be honest. While the officer may feel that a loan is not necessary, he may be obliged to grant that loan. The safeguard against this is that the Board will look into the application and recommend its sanction. Now we are taking away this safeguard. The power to sanction the loan may be with the officer. I do not question it. But the Board should be apprised of these loan applications, and they should have the opportunity to give their opinion. The authority may differ from them and may try to sanction the loan and disburse it. But to take away the rule that all these loan applications should be placed before the Board, I consider, is not correct. It is likely to be abused. Officers will find it difficult to exercise this power, because they may find it difficult to withstand the kind of pressure that they may have. In the interests of the officers and also in the interests of the development of industries, I would appeal to the Hon. Minister to see that they restore the clause requiring that all applications should be placed before the Board. But, the power to sanction the loans may rest with the officers, as indicated. Thank you, Sir.

SRI MOHAMED RAZA KHAN : Sir, in the present tempo of industrial expansion, particularly in the field of small scale industries, I feel that there is some justification for a Bill of this kind. As Members are aware the original Act was brought in in 1922, and an amendment was introduced later on, more to give as much help as possible financially to the industries which were then very few and far between as far as our State was concerned The procedure was laid down whereby all applications for loan had to be placed before the Board constituted by the Government consisting of officials and representatives of both the Legislative Assembly and Legislative Council. We are having a representative on the Board. Some outsiders representing the Chambers of Commerce and others who have got an interest in the development of industries in the State are also there. Now the position is this. The Board decide that the application from the industry has to be published in the local press inviting objections, if any, to the grant of the loan.

4-30 p.m. THE HON. SRI R. VENKATARAMAN : That is only in respect of loans over Rs. 50,000.

SRI MOHAMED RAZA KHAN : I thank the Hon. Minister for the information. Now, there is a desire on the part of many people to develop small-scale industries and it is likely that the Government may get a large number of applications for aid below Rs. 25,000. About the Board, Sir, I do not know how many times it meets. I suppose it meets every quarter. The question is whether a man who wants to develop an industry, should wait for two or three months to get his application considered. I am yet to be enlightened on this point. Then the other point is about solvency or capacity to repay the loan. I am not satisfied about this condition. We are not clear whether we want property to guarantee repayment. Let us not say Mr. Balasubramanya Ayyar is too conservative. He is always cautious. He is not against timely or immediate help being given. But the question is that the money should not be lost. Such of us as members of the Public Accounts Committee know of many cases wherein heavy sums of money advanced by the Government were lost for ever. I do not want to dilate on it much except to say that the Government with the best of intentions gave a loan of nearly fifteen lakhs of rupees to an Oil Mill at Katpadi.

THE HON. SRI R. VENKATARAMAN : We have recovered half the amount.

SRI MOHAMED RAZA KHAN : I am sorry, I do not want to indulge in arguments with the Hon. Minister. Ultimately, when the Government want to write off the loss, it may go up to 13 or 14 lakhs of rupees. The personal security of the directors was not taken. The money was given on the property and unfortunately nothing could be got back from it. Therefore, this precaution is necessary. As far as the general trend of the Bill is concerned,

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the principle seems to be to give help to as many and as quickly as possible. I have no objection to this but the only question is, once discretion is given either to the Director or the Assistant Director or the Deputy Director, the officer concerned has to be very careful. A good deal of responsibility is laid on him. If anything happens subsequently, the loan will be lost for ever. After all, business is business; industry is industry. If there is any loss there will be no occasion for anybody—the official or the legislator—to repay it. I am sure the Hon. Minister will consider and clarify these points.

THE HON. SRI R. VENKATARAMAN : Mr. Chairman, when the State Aid to Industries Act, 1922 was passed, there were no industries worth the name. There was nothing like small-scale industries. Mostly people with assets and properties alone came into the industrial field. That is why in section 10 of the original Act it was provided that every loan granted under the Act should be secured by mortgage or a floating charge on the whole of the assets of the persons concerned. Now we change that so as to enable Government to give loans on the personal security of the industrialists. If we look at the growth and development of industries during the Second Plan period, it is possible to appreciate the need and the urgency for such a change. Industries costing hardly two or three thousand rupees on a small, village and cottage basis, are springing up all over the State. The requirements of these small-scale industries are, as I said previously, less than ten thousand rupees and the industrialists are called upon to furnish security. They are unable to find any security and so are not able to enter the industrial field. Actually under the Second Plan, we have spent nearly 4·5 crores of rupees on small-scale industries and thousands and thousands of small-scale industries have sprung up all over the State. If we had to follow the rule that everyone of these applications should go before the Industries Board, I am afraid many of these applications would not have even come up for consideration. But today, these industries are actually functioning. The approach to the problem of industrialisation has also undergone a change in the world as well as in our country. No longer it is considered right for any State to encourage only those who furnish security in the Industrial field. In Western countries, loans are advanced on an intelligent idea, not even on the personal security of the individual. If a scheme is good, they are encouraged by banks, financing institutions and so on. And that is why a large number of industries spring up throughout the mechanised countries of the world. We have adopted the Welfare State as the ideal of our social fabric and it is our incumbent duty to encourage all these small industries. In this connection, I would rather take the risk of helping and losing money in a few cases than deny help to industrialists who come forward in this country to start small industries. If we had not been liberal in this behalf in the last five years, the rapid industrialisation that has taken place particularly in the small-scale sector would not have occurred.

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Next to the Punjab, Madras is the State which has the largest number of small-scale industries. Therefore, it is absolutely necessary for us to encourage the growth and development of small-scale industries by aiding them liberally with finance and
4-30 p.m. giving them machinery and equipment on the basis of 'hire-purchase' and in every other way possible. The old Act of 1922 now is a clog on our progress. It retards and restricts development. Therefore, we have to come forward to have the concurrence of the Legislature to the system of giving help even on personal security. The existing system can be briefly explained to show that nothing new or by way of a radical departure is contemplated under the law. Today the Assistant Director of Industries at the headquarters of a district can sanction loans up to Rs. 2,000 on the personal security of the individual or the worthwhileness of the scheme itself. The Joint Director is enabled to grant loans up to Rs. 10,000. If it is Rs. 25,000 it comes to the Director of Industries and Commerce. If it is Rs. 50,000 and above, the matter is advertised. The connected notification is published in the papers and then the Board deals with the application. If applications for Rs. 1,000 and Rs. 2,000 should go before the Board, it would be impossible for us to carry out the expansion that we contemplate and we have carried in the last few years. Therefore it is that I submit that the change is justified. At the same time I can assure the House that it is not the intention of the Government to give a *carte blanche* to any officer to grant a loan without any security. Rules have been framed in this behalf. Only legislative sanction is now sought for enabling the officers to give loans without asking for security of property.

Sir, it is my earnest desire that even in our country at any rate in our State no intelligent young man who has got a worthwhile scheme should go without help from the State. If there is a worthwhile scheme, a scheme considered by the Industries Department as feasible, then the mere fact that he has not got the money, he has not got the initial capital to undertake it should not stand in the way of his establishing that industry. Therefore it is we ought to give every encouragement in the field of industrial development by giving loans, advances and so on.

In this connection I may also draw the attention of the hon. Members to a very radical change which we have made in the Madras Industrial Investment Corporation, a change which is the first of its kind in the whole of India. We have now enabled the Corporation to take equity shares on the great and big projects of the State. In one instance the Corporation had taken equity shares to the value of Rs. 1 crore, in another Rs. 1;5 crores. Apart from these they have taken equity shares in several industrial concerns to the tune of Rs. 10, 15 lakhs and so on. It is all these things that have really helped the industrial development in the State. Sir, I trust that the House will accept the motion.

MR. CHAIRMAN : The question is :

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'That the Madras State Aid to Industries (Amendment) Bill, 1961 (L.A. Bill No. 26 of 1960) as passed by the Legislative Assembly, be taken into consideration.'

The motion was put and carried and the Bill was taken into consderation.

Clauses 2 to 8 were put and carried.

Clause 1 and the Preamble were put and carried.

THE HON. SRI R. VENKATARAMAN: Mr. Chairman, Sir, I move:

'That the Madras State Aid to Industries (Amendment) Bill, 1961 (L.A. Bill No. 26 of 1960), as passed by the Legislative Assembly, be passed.'

MR. CHAIRMAN: The question is—

'That the Madras State Aid to Industries (Amendment) Bill, 1961 (L.A. Bill No. 26 of 1960), as passed by the Legislative Assembly, be passed.'

The motion was put and carried and the Bill was passed.

(4) THE MADRAS GEVERAL STLES-TAX (AMENDMENT) BILL, 1961 (L.A. BILL NO. 1 OF 1961)

* THE HON. SRI R. VENKATARAMAN: Mr. Chairman, Sir, I move:

'That the Madras General Sales Tax (Amendment) Bill', 1961 (L.A. Bill No. 1 of 1961), as passed by the Legislative Assembly, be taken into consideration.'

Sir, this is a short Bill. Under Schedule I to the Sales Tax Act, tinned, canned, bottled and packed food were liable to single point tax at six per cent. This has caused a great deal of difficulties to the trade and industry. Small dealers and manufacturers of goods like 'Appalams', fruit drinks and so on have to pay six per cent single point tax on their products. Frankly, Sir, the commodity cannot bear that tax.

In this connection I must recall the great controversy which took place in the State, and in the Legislature over the question of levy of the single-point tax. However much Government and its spokesmen tried to convince the members of the Legislature and members of the public that the single-point tax was not such an unmixed blessing as they imagined, the Government could not succeed. But today after having put 75 items in the single-point tax, we have received representations from dealers in at least 40 of these commodities for reverting to the multi-point tax. The reason is very simple. The single point tax is a tax at the stage of the producer. The producers are not always big people. They are not always manufacturers of biycles or motor cars. The

* Printed as Appendix V on page 277–278 infra.